

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park
Helena MT 59620

Board Legislative Committee Minutes
Friday, February 01, 2008
1:30 PM

Committee Members: Troy McGee and Robert Griffith present, John Paull present by phone

Staff: Roxanne Minnehan, Melanie Symons, Scott Miller
Kathy Samson, and Barbara Quinn, MPERA, Ray Peck, N Jay Klawon, and Terry Smith, Board Members by phone.

Other Attendees: Tom Schneider, MPEA, Beth Long, GWRS, and David Senn, TRS.

Public Comment – *No public comment.* Mr. Terry Smith asked Mr. Griffith to introduce who was present in the audience.

Proposed Legislation

General Revision Bill Table

MPERA puts together a General Revision Bill every session to clean up, clarify or modify any statutes in accordance with federal law. Ms. Roxanne Minnehan presented the General Revision Bill Table with a list of the statutes that need modified to the Legislative Committee. The table is a compilation of the statutes the Management Team noted during the legislative interim. The Management Team will work together to look at these noted areas more in depth, determine what needs changed and assign them to be researched and amended. The Management Team will meet February 11, 2008 to go over the General Revision Bill. Ms. Roxanne Minnehan clarified 19-3-2116(6) is the staggering of the ER forfeitures. Mr. Smith suggested that a trigger be added for the implementation of a staggered schedule.

Qualification Issues

MPERA will be filing for another determination letter from the IRS in October, called Cycle C filing. Ice Miller has brought some qualification issues to our attention. Floating interest rates and normal retirement age for disabilities are two items on the IRS radar. A concern was raised that the IRS could implement a plan a year after the decision was made and could cause some issues if our systems are not up to date. Ms. Melanie Symons explained that the IRS understands that not all states legislatures meet every year and allows time for that. Ice Miller watches how the IRS reacts to other

filings, then makes suggestions regarding what statutes should be amended. Further explanation on the set rate suggestion by Ice Miller followed. A clean up bill in Congress addresses this issue. The clarification is to make it a violation to pay a rate other than what the return is, which the opposite of what Ice Miller is suggesting. The staff will be drafting a separate qualifications bill.

PERS Optional Membership

PERS has several optional membership groups. Employees falling into one of these groups have the option to elect coverage in PERS. MPERA staff would like to make it the reverse; the employee would immediately become a PERS member, with the option to elect out of the retirement system. This would then be an affirmative election alleviating the problems that arise 20-30 years later. A concern was brought up that this would cause extra paperwork in filing refunds.

Stakeholder Proposals

Ms. Roxanne Minnehan suggests the Board invite stakeholders to bring their proposals before the Board prior to the SAVA meeting on April 28-29, 2008. This would provide an opportunity to work together with the different employee groups.

Tom Schneider, MPEA, states that due to the market this is a poor time of the year for bringing proposals early. SAVA wants suggestions by April 8, 2008. The MPEA convention isn't until June. Mr. Schneider doesn't recommend a benefit enhancement, for lack of knowledge of where the market is heading. The desire is to have the GABA go back to 3% - two levels of employees is not good.

Dave Senn brought up some issues that the Teacher Retirement Board will be discussing at their February 8, 2008 meeting. 1.) The Office of Public Instruction would like to move all staff from the Teachers Retirement System to PERS. This would make it possible to recruit former retired teachers. 2.) All K-12 employees are members in the TRS. This would have an adverse effect on PERS. 3.) Modify benefit calculations for reinstatements. Essentially calculate two separate benefits and then combine them. 4.) New Hybrid plan design for new hires with age 62 retirements and rule of 90. 5.) Increase multiplier to 2% after 30 years or more delaying the effective date by two to five years depending upon the impact to employer contributions. Mr. Senn will visit with Ms. Roxanne Minnehan about some of these proposals.

Other Items Ms. Minnehan stated that the following list was at the request of Mr. Terry Smith.

1.) Mulligan Law for GABA

It was brought up that the firefighters will be proposing legislation. It was discussed that this could cause some qualification issues. Ice Miller stated that the IRS would not be sympathetic to this group. Ice Miller also stated that it causes issues because of the different contribution rates which directly affect the employer pick-up and qualification status. Also it was brought up that this would affect more than the five fire fighters in question. This would affect members of the JRS, MPORS and HPORS as well.

2.) Mulligan Law for Plan Choice

Mr. Terry Smith suggested that we look into the Colorado plan. The member chooses a plan, the member can later change. Mr. Miller brought up that Colorado would require the member to buy the services at actuarial cost. Ms. Minnehan also stated the IRS doesn't like additional irrevocable elections.

Auto Enrollment for the 457

Mr. Terry Smith is bringing this to the Board to help with retirement issues. The PPA allows auto enrollment. This would help better prepare our members for retirement. Mr. Smith is voicing concern for today's retirees who are not prepared for retirement. Mr. Tom Schneider stated EIAC has broached this topic. EIAC needs to look at it and make a recommendation to the Board. Ms. Melanie Symons stated that the wage and hours law would have to be amended. Mr. Smith suggested a deduction of 1% of compensation the first year, escalating each year to a maximum of 5-7%. Ms. Kathy Samson clarified that the PPA allows for auto enrollment not auto increases. She also stated the members are already part of a mandatory plan. Mr. Schneider also stated that PERS covers all local government, 457 does not. The Board needs to consider that local governments contracting for 457 did not contract for "auto enrollment".

Payoff the DC Unfunded Liability

1.) Request Legislative Appropriation

DC Unfunded Actuarial Liability (UAL) is a large portion of the plans expenses. This hinders future retirement prospect for participants. In 2005, the Governor provided \$25 million to PERS for the PERS-DB UAL; a portion was not allocated for the DC plan. Mr. Smith would like to request the Legislature for some monetary appropriation to the DC plan. Ms. Barbara Quinn pointed out that the Legislature did pay the DC loan.

2.) Use DC Administrative Account

Mr. Smith believes the DC-UAL is start-up costs. He would like to use employee forfeitures to pay off the unfunded actuarial liability. Mr. Miller stated that the members are responsible for the unfunded liability. The unfunded liability is not a start up cost; it is not an administration cost. Mr. Smith stated that the admin account consists of employee fees and forfeitures. The UAL is a large “drag” on the plan. He would like the add in the clean-up bill that the UAL is a start-up cost.

Provide BOI Investment Pools and STIP for DC Investment Options

Mr. Smith stated that this is a long-term item to consider. While attending the NAGDCA conference he spoke to representatives from New York; rather than going to the mutual fund industry to find investment products, they hire managers to do this for them. This is something the BOI has been doing. The cost is more efficient. PERB would have to go through another RFP process to implement this. This would be in addition to the current structure. A concern was brought up as to who would be paying this and how much it would cost. Mr. Smith stated the money would come out of the return.

Mr. Klawon stated this is another issue for EIAC.

Next Meeting

This was left open. Discussion was made to schedule this after the next SAVA meeting April 28-29, 2008. Mr. Griffith asked the Executive Director to let the Committee know when another meeting should be scheduled.

Meeting adjourned 3:00 PM by Mr. Robert Griffith, Chairman.